MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2018/2019

PAT0084 – INTRODUCTION TO COST AND MANAGEMENT ACCOUNTING

(Foundation in Business)

2 MARCH 2019
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **FOUR** pages with **FOUR** questions only.
2. Answer **ALL** questions.
3. Write your answers in the Answer Booklet.

STRUCTURED [100 MARKS]

Instructions: Answer **ALL** questions. Write your answers in the Answer Booklet.

QUESTION 1

Part A

Niigata Enterprise uses three cost pools to allocate manufacturing overhead. The following estimates were provided for the coming year.

Cost Pool	Manufacturing Overhead (RM)	Cost Driver	Activity Level
Supervision of direct labour	300,000	Direct labour hours	500,000
Machine maintenance	100,000	Machine hours	200,000
Facility rent	200,000	Square feet of area	100,000
Total manufacturing overhead	600,000		

The accounting records show the Hakuba Job consumed the following resources.

Cost Driver	Actual Activity Level
Direct labour hours	1,000
Machine hours	3,000
Square feet of area	5,000

REQUIRED

a) If 500,000 direct labour hours are considered as the only manufacturing overhead cost driver, compute:
   i) the single cost driver rate based on direct labour hours for Niigata Enterprise; and
   ii) the total amount of manufacturing overhead costs allocated to the Hakuba job.
   (2 marks)

b) If Niigata Enterprise uses the three cost pools to allocate manufacturing overhead costs, compute:
   i) the cost driver rate for each of the above three overhead activities; and
   ii) the total amount of manufacturing overhead costs allocated to the Hakuba job.
   (7 marks)

c) Review the total amount of manufacturing overhead costs allocated in (a)(ii) and (b)(ii). Why do the two estimates differ? (2 marks)

d) Which method of allocation probably best estimates the actual manufacturing overhead costs used? Why? (2 marks)

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Part B

The Kitakata Manufacturing Company, which has three production departments (Cutting, Assembly and Finishing), uses the process cost accounting system. Production data for August, the first month of operations, are given below.

	Cutting	Assembly	Finishing
Quantity:			
Started in Production	10,000		
Transferred in from prior department		8,000	7,000
Transferred out to next department	8,000	7,000	
Transferred out to finished goods			5,000
Ending work in process	2,000	1,000	2,000
Stage of completion of ending work in process:			
Materials	100%	80%	70%
Labour	20%	30%	50%
Overhead	20%	40%	10%

REQUIRED

Compute the total equivalent units of production for input materials, materials introduced, labour, and overhead for each of the departments for August, the first month of operations. (12 marks)

(Total 25 marks)

QUESTION 2

Part A

Syntex Manufacturing Limited produces travel kettle and sells it for RM120 per kettle. The following information is available for Syntex Manufacturing Limited.

	RM
Direct material cost per kettle	25
Direct labour cost per kettle	5
Fixed production overhead	140,000
Variable production overhead cost per kettle	20
Fixed promotion expenses	32,000
Sales commission	5% of sales
Fixed administration expenses	20,000

REQUIRED

a) Calculate the total variable costs per kettle. (5 marks)

b) Calculate the breakeven point (in the number of kettles). (5 marks)

c) How many kettles need to be sold in order to achieve a profit margin of RM172,000 together with an increased sales price of 20%, increased fixed costs to RM198,000 and increased variable costs by RMRM14 per kettle. (5 marks)

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Part B

Supelan Sdn. Bhd. manufactures a single product. The following information relates to Supelan Sdn. Bhd. for the third quarter of 2019.

	July	August	September
Budgeted sales (units)	20,000	22,000	25,000

Desired inventories (units):	Materials	Finished goods
1st July 2019	30,000	5,000
31st July 2019	35,000	7,000
31st August 2019	40,000	8,000
30th September 2019	45,000	10,000

Notes:

i) Sales price of the finished product is RM8 per unit.
ii) Three units of direct material is required to produce one finished product.
iii) Direct materials purchase cost per unit is RM2.

REQUIRED

Prepare the following budgets for Supelan Sdn. Bhd. for the months of August and September.

a) Production budget (4 marks)

b) Direct materials purchase budget (6 marks)

(Total 25 marks)

QUESTION 3

Raizan Inc. produces plastic containers of face lotion for cosmetic manufacturers. Raizan currently produces 200,000 bottles of plastic containers each month. The costs of making each bottle is as follows:

	RM
Direct materials	0.12
Direct labour	0.06
Variable manufacturing overhead	0.05
Fixed manufacturing overhead	0.12
Total manufacturing costs	**0.35**

An outside supplier has offered to sell Raizan Inc. the plastic containers for RM0.30 per bottle and can supply all it needs. The company determined that 20% of the fixed overhead is avoidable if the company discontinues production of the containers. Additionally, the company could also lease the machine used to make the container to another company for RM5,000 per month.

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REQUIRED

a) Calculate the total relevant costs to purchase the 200,000 bottles from outside supplier. (3 marks)

b) Calculate the total relevant costs to manufacture the 200,000 bottles. (15 marks)

c) Should Raizan Inc. purchase or manufacture the 200,000 bottles of containers? Why? (3 marks)

d) Calculate the unavoidable cost if the company discontinues production of the containers. (3 marks)

e) Determine the opportunity cost. (1 mark)

(Total 25 marks)

QUESTION 4

Multimedia Manufacturing is a small company manufacturing a single product. The product costs of this product is as follows:

Direct materials	RM 8 per unit
Direct labour	RM12 per unit
Variable production overheads	RM 4 per unit
Fixed production overheads	RM60,000 per month

The selling price of the product is RM35 each. Monthly normal production is 20,000 units. Production and sales quantities for the month of October and November are as follows:

	October	November
Production	21 000 units	20 000 units
Sales	19 000 units	21 000 units

(Note: There were no opening inventory at the start of October.)

REQUIRED

a) Calculate the unit product costs using marginal costing and absorption costing methods. (5 marks)

b) Prepare the statements of profit and loss for each of the months using:
   i) Marginal Costing (10 marks)
   ii) Absorption Costing (10 marks)

(Total 25 marks)

End of Paper